

## Message Text

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ACTION SS-20

INFO OCT-01 EUR-25 ISO-00 CIAE-00 PM-07 INR-10 L-03 NEA-10

NSAE-00 PA-04 RSC-01 PRS-01 SPC-03 USIA-15 TRSE-00

SAJ-01 NSC-10 DODE-00 OMB-01 EB-11 COME-00 IO-14 H-03

DRC-01 /141 W

----- 062176

R 071108Z DEC 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 9127

INFO AMEMBASSY LONDON

USMISSION NATO BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 17609

DEPARTMENT PASS TREASURY AND DEFENSE

E.O. 11652: GDS

TAGS: EFIN, GW

SUBJECT: OFFSET: JACKSON-NUNN

REF: (1) STATE 231357; (2) STATE 237546

1. SUMMARY: WE HAVE DELIVERED TO THE FOREIGN OFFICE THE US ANALYSIS OF THE JACKSON-NUNN AMENDMENT. THE GERMAN INTERMINISTERIAL WORKING GROUP WILL STUDY IT NEXT WEEK. THE FOREIGN OFFICE HAS RAISED A NUMBER OF QUESTIONS CONCERNING THE RELATIONSHIP OF A BILATERAL OFFSET AGREEMENT AND THE JACKSON-NUNN AMENDMENT AS WELL AS THE US NATO BURDEN SHARING CONCEPT. END SUMMARY

2. WE HAVE DELIVERED THE ANALYSIS OF THE JACKSON-NUNN AMENDMENT CONTAINED IN REFTELS TO MUEHLEN (FOREIGN OFFICE) WHO IS PASSING THE PAPER ON TO AMBASSADOR HERMES AND ALSO EXPECTS A GERMAN INTERMINISTERIAL WORKING GROUP TO CONSIDER IT IN DETAIL NEXT WEEK.

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3. AFTER A FIRST QUICK READING MUEHLEN RAISED A NUMBER OF QUESTIONS SUCH AS THE FOLLOWING.

4. WHAT HAPPENS IF THE US AND THE FRG AGREE ON AN OFFSET AGREEMENT WHICH IS CONSIDERED TO BE SATISFACTORY BY BOTH SIDES BUT WHICH IN THE END TURNS OUT NOT TO HAVE MET THE TERMS OF JACKSON-NUNN BECAUSE, FOR EXAMPLE:

(A) THE ACTUAL EXPENDITURES OF THE US FORCES DURING FISCAL YEAR 1974 TURN OUT TO BE SOMEWHAT HIGHER THAN THE PROJECTED EXPENDITURES ON WHICH THE OFFSET AGREEMENT IS BASED;

(B) THE TWO YEAR OFFSET AGREEMENT PROVIDES FOR A FULL OFFSET OF PROJECTED US EXPENDITURES DURING THOSE TWO YEARS, BUT THE ACTUAL OFFSET WHICH TAKES PLACE DURING THE FIRST YEAR FALLS SHORT OF US EXPENDITURES DURING THAT YEAR BECAUSE BY THE NATURE OF GERMAN BUDGETARY PROCESS, ETC, A LARGER PORTION OF THE OFFSET TAKES PLACE DURING THE SECOND YEAR OF THE AGREEMENT.

(C) THE OFFSET FALLS SHORT OF THE ACTUAL US EXPENDITURES IN FISCAL YEAR 1974 BECAUSE IN THE US/FRG AGREEMENT THERE ARE INCLUDED ITEMS SUCH AS THE BARRACKS REHABILITATION PROGRAM WHICH BOTH GOVERNMENTS CONSIDER VALUABLE AND COUNTABLE AS OFFSET, BUT WHICH SINCE THEY DO NOT PROVIDE A US BALANCE OF PAYMENTS INFLOW MAY NOT BE ACCEPTED AS OFFSET BY THE CONGRESS IN TERMS OF JACKSON-NUNN.

5. MUEHLEN ALSO INQUIRED WHETHER ANY DECISION HAD BEEN MADE ON THE US SIDE IF UNDER THE TERMS OF JACKSON-NUNN A TWENTY PERCENT REFLOW CREDIT COULD BE GIVEN IN THE OFFSET AND HOW THE ADMINISTRATION TENDED TO HANDLE THIS PROBLEM, AS WELL AS THE ONES RAISED UNDER PARAGRAPH 4 ABOVE? PRIOR CONSULTATION WITH THE CONGRESS, PRIOR AGREEMENT BY THE CONGRESS, DETERMINATION BY THE SECRETARY OF COMMERCE, DEFENSE AND THE COMPTROLLER GENERAL, DETERMINATION BY THE EXECUTIVE BRANCH, ETC.?

6. MUEHLEN ALSO INQUIRED WHEN A US ESTIMATE WOULD BE

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BE AVAILABLE OF THE NON-NATO RELATED SHARE OF US EXPENDITURES IN GERMANY AND EUROPE.

7. MUEHLEN REFERRED TO SOME EARLY US PRESENTATIONS IN NATO WHICH MENTIONED LOANS AS ONE, EVEN IF THE LEAST DESIRABLE, OFFSET POSSIBILITY. REFERRING TO THE LAST SENTENCE OF OUR ANALYSIS OF THE JACKSON-NUNN AMENDMENT HE ASSUMED THAT THIS DEALT WITH THE

POSSIBILITY OF LOANS AND INQUIRED WHEN THE EXECUTIVE  
BRANCH ASSESSMENT MIGHT BE COMPLETED.

8. CONCERNING BURDENSARING, MUEHLEN NOTED THAT  
JACKSON-NUNN DOES NOT LINK THIS AS DEFINITELY AS  
OFFSET TO THE US TROOP STRENGTH IN EUROPE AND THAT,

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 17609

THEREFORE, IT WILL TEND TO BECOME OF SECONDARY  
IMPORTANCE PARTICULARLY IN THE CASE OF BURDEN SHARING  
WHICH IS NOT AT THE SAME TIME ALSO OFFSET. WE  
STRONGLY ARGUED AGAINST THIS, PARTICULARLY ON THE LINES  
OF PARAGRAPH 2 OF STATE 237946. MUEHLEN THEN STRESSED  
THAT THE FRG UNDERSTANDING OF THE US POSITION WAS  
THAT BURDEN SHARING WAS TO BE CONSIDERED MULTILATERALLY  
IN NATO AND THAT NO FURTHER CONTRIBUTION IN THIS  
FIELD WAS ASKED OF THE FRG BEYOND THE BILATERAL US/  
GERMAN OFFSET. CONCERNING THE US REQUEST IN NATO FOR  
A EUROPEAN CONTRIBUTION TO MAKE UP THE \$440 MILLION  
WHICH THE US CALCULATES TO BE THE ADDITIONAL COST OF

KEEPING US TROOPS IN EUROPE RATHER THAN IN THE US,  
MUEHLEN INQUIRED WHETHER IN THIS TYPE OF BURDEN SHARING  
--AND IN THE BURDEN SHARING DESIRED BY THE JACKSON-  
NUNN AMENDMENT--ONLY PROJECTS COULD BE COUNTED WHICH  
DIRECTLY RELIEVED THE US OF SUCH EXPENDITURES. OR  
WHETHER AS THE PRESIDENT HAD INDICATED SO FORCEFULLY  
SOME YEARS AGO, GENERAL EUROPEAN FORCE IMPROVEMENTS  
WOULD ALSO CONSTITUTE EFFECTIVE BURDEN SHARING.  
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SIMILARLY HE WONDERED WHETHER UNDER THE US NATO  
REQUEST THINGS LIKE THE EDIP COULD COUNT FULLY EVEN  
THOUGH ONLY PART OF IT CONSTITUTED DIRECT BUDGETARY  
RELIEF FOR THE US.  
HILLENBRAND

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**Disposition Authority:** morefirh  
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**TAGS:** EFIN, GE  
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